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C O N F I D E N T I A L SECTION 01 OF 08 BEIJING 003332

SIPDIS

E.O. 12958: DECL: 12/15/2029
TAGS: [PREL](#) [PGOV](#) [EAID](#) [SNAR](#) [EINV](#) [PARM](#) [PTER](#) [ECON](#) [MASS](#)
PK, AF, CH
SUBJECT: U.S.-CHINA WORKING GROUP ON SOUTH ASIAN AFFAIRS

REF: 09 BEIJING 3331

Classified By: Acting Political Minister Counselor Ben Moeling. Reasons
1.4 (b, d)

Summary

¶1. (C) In U.S.-China consultations on South Asia in Beijing November 11, China's Ministry of Foreign Affairs (MFA), Ministry of Public Security (MPS), and Ministry of Finance and Commerce (MOFCOM) expressed a preliminary willingness to cooperate with the United States on reconstruction and development in Afghanistan and Pakistan. PRC interlocutors repeatedly sought confirmation that the U.S. had no intention of building a sphere of influence in South Asia, and MFA Asian Affairs DDG Sun Weidong urged the United States to respect the independence, sovereignty, and territorial integrity of countries in the region. Throughout the meetings, Deputy Special Representative for Afghanistan and Pakistan Dan Feldman and the inter-agency U.S. delegation underscored U.S. political and economic commitment to building peace and stability in the region, providing detailed presentations on U.S. civilian efforts and suggesting areas for potential cooperation with China. D/SRAP Feldman also encouraged the PRC to urge Pakistan to address terrorist threats within its borders, and to ensure China's investments in Afghanistan and Pakistan contributed to good governance and eschewed corrupt practices. The U.S. delegation identified several potential areas for future collaboration with China in Afghanistan and Pakistan: increased information sharing on counter-narcotics; capacity building on agriculture; economic development, energy, and infrastructure projects; and health care, education, and vocational training. D/SRAP Feldman also highlighted both countries' mutual interest in addressing the root causes of extremism.

¶2. (SBU) Participants:

U.S.

Dan Feldman, Deputy SRAP
Maj. Gen. Burton Field, Senior Military Advisor to SRAP
Vikram Singh, Senior Advisor to SRAP
Beth Dunford, S/SRAP
¶H. Andrew Boerstling, S/SRAP
Brian Andrews, EAP/CM
Robin Brooks, S/SRAP
Jarrett Blank, S/SRAP
Eric Barboriak, Embassy Beijing, POL
Jonathan Fritz, Embassy Beijing, ECON
Mark Lambert, Embassy Beijing, POL

Drew Holliday, Embassy Beijing, DAO
Jennifer Adams, Embassy Beijing, USAID
Brady Mackay, Embassy Beijing, DEA
Scott Urbom, Embassy Beijing, ECON
Ryan Hass, Embassy Beijing, POL
James Brown, Embassy Beijing, Interpreter

CHINA

Sun Weidong, MFA Deputy Director General, Department of Asian Affairs

Hu Binchen, Ministry of Public Security, Division Director, International Cooperation Department

Niu Haifeng, Ministry of Public Security, Deputy Director, International Cooperation Department

Lai Bo, MFA Deputy Director, North American and Oceanian Affairs Department

Cao Jing, MFA Deputy Director, Pakistan Affairs

Li Sa, Ministry of Commerce, Deputy Director, Asian Affairs

Chen Feng, MFA, First Secretary, Afghan Affairs

Liu Zhen, MFA, Second Secretary, India and Subcontinent Affairs

Fang Mei, MFA Second Secretary, External Security Division

Part of Improving Bilateral Relations

¶3. (C) In his welcoming address, DDG Sun noted that cooperation on Afghanistan and Pakistan fit into the vision Presidents Obama and Hu had laid out for a positive,

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cooperative and comprehensive relationship for the twenty-first century. He suggested strengthening our bilateral ties by addressing current issues in South Asia through "different levels, different ways and different channels." Sun made special mention of SRAP Holbrooke's two previous visits to Beijing where he met with State Councilor Dai Bingguo and FM Yang Jiechi to explore areas for cooperation. He added that China had agreed to hold this meeting at Ambassador Holbrooke's request, demonstrating the PRC's "sincere commitment" to cooperation with the United States on international issues. While China does not have a Special Representative for Afghanistan and Pakistan, he said the fact that "all the relevant authorities" were present at this meeting demonstrated the importance China placed on bilateral cooperation. Sun also stressed that these consultations were private and asked the U.S. to agree not to discuss their contents with the media.

U.S. Overview

¶4. (C) D/SRAP Feldman emphasized that the PRC and the United States shared a common goal of a peaceful and prosperous South Asia and could accomplish more by working together. Assuring Sun that the United States had no intention of building a sphere of influence in South or Central Asia or of building permanent military bases there, D/SRAP Feldman underscored that the United States was committed to remain politically and economically engaged in the region to help promote stability there in the long term. In Afghanistan, D/SRAP Feldman noted that anti-corruption, good governance, counternarcotics and development assistance were particularly ripe areas for collaboration. In Pakistan, where a number of extremist groups have taken safe haven since 2001, he stressed that the U.S. and China's interests were aligned: neither country could afford to see Pakistan fail.

Chinese Overview

¶5. (C) DDG Sun said South Asia was beset by a number of potentially destabilizing factors, from the global financial crisis, to ethnic separatism, religious extremism, and

terrorism. He also cited the ongoing tension between India and Pakistan. China's primary goal in the region, Sun said, was to promote peace, security, and development, and he laid out four keys to achieving this goal: 1) promote peace and reconstruction in Afghanistan; 2) support Pakistan's stability and development; 3) encourage improved India-Pakistan relations and the peace process between them; and 4) fight both the "symptoms and root causes" of terrorism.

Dialogue and Cooperation Welcome in Principle

¶16. (C) DDG Sun said China welcomed international efforts in these areas, but cautioned that such efforts should respect and accommodate South Asia's special conditions and each country's unique character. Based on the convergence of U.S. and Chinese interests in the region, there was "extensive space for mutually respectful and beneficial bilateral dialogue" and cooperation, Sun said, adding that China believed this dialogue should take place under the framework of the U.S.-China Strategic and Economic Dialogue and the regional sub-dialogue on South and Central Asia. He said both sides could contribute to development and poverty alleviation and explore cooperation in non-traditional security areas. Sun noted Feldman's assurance that the United States had no intention of maintaining a long-term military presence in the region and asked for more details on that subject. He acknowledged the positive U.S. role in the region and commended the Obama Administration's thoughtful policy review, as well as the U.S. development activities presented by the delegation. However, he frequently repeated that China hoped U.S. actions would respect the independence, sovereignty, and territorial integrity of nations in the region.

China's Political Interests in South Asia

¶17. (C) DDG Sun stressed that China's core political and economic interests were affected directly by stability and

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development in South Asian countries, five of which shared land borders with China. Emphasizing that 100,000 Tibetans live in India and Nepal, and that some of them favor an independent Tibet, Sun delivered standard PRC talking points criticizing the Dalai Lama. Next he raised the East Turkistan Islamic Movement (ETIM), Rebiya Kadeer, and the World Uighur Congress, asserting they had colluded with international terrorists and committed violent crimes both within China and abroad and citing the early July turmoil in Xinjiang in particular. He said the activities of the Tibetan and Uighur groups represented a threat to China's sovereignty, territorial integrity, national unity, and social stability, and he urged the United States to deny requests by the Dalai Lama and Kadeer to visit and meet with USG officials. He also commended the "cautious" USG response to the ethnic violence that erupted in Urumqi in July and asked for U.S. support for Chinese efforts to combat the "three evils" of separatism, extremism, and terrorism. EAP/CM DeskOff Andrews reiterated longstanding U.S. positions on these issues.

China's Assessment of Afghanistan

¶18. (C) Sun commended international and Afghan efforts towards peace and economic reconstruction, and noted projections of 15- percent GDP growth in 2009. He stated that President Karzai's reelection would provide political continuity and increase the likelihood of follow-through on political reform measures. China hoped the next Karzai administration would involve more political parties as a means to expand its base of governance. Sun acknowledged the international community's efforts to train the Afghan Army and Afghan

National Police, and said the overall development of Afghanistan's administrative and legal system was on the right track and that its education and health services had been restored.

¶9. (C) Sun explained that China viewed the Afghan presidential election as Afghanistan's internal affair. As a neighbor and friend, China hoped the next Karzai administration would represent the core interests of different ethnic groups; have a strong governing capacity; promote national stability, economic development and social development; and uphold a harmonious co-existence with other countries.

China's Policy on Afghanistan

¶10. (C) Sun described China and Afghanistan as traditional friendly neighbors. China respected Afghanistan's sovereignty and territorial integrity and would never interfere in its internal affairs. China maintained close coordination and consultation with Afghanistan on major regional and international issues.

¶11. (C) On the economic front, Sun said although China was a developing country, it had provided assistance to Afghanistan through bilateral and multilateral channels to the best of its ability. Sun emphasized that China's assistance was sincere and selfless, with no strings attached. Sun described four main areas of Chinese assistance: (1) \$150 million for post-war reconstruction since 2002; (2) projects to improve Afghans' well-being, such as the construction of the Republican Hospital in Kabul and irrigation restoration projects; (3) human resource development, including training for diplomats, health experts trade officials, and mine-clearing teams; and (4) PRC government encouragement of "credible" Chinese enterprises to invest in Afghanistan, such as MCC's investment in the Aynak copper mine.

¶12. (C) On security issues, Sun said China had deepened cooperation with Afghanistan in military and non-traditional security fields. China supported the development of the Afghan Army through high-level contacts, materiel support and training. China signed an agreement with Afghanistan on drug control cooperation, and in the future would consider additional training and assistance to Afghanistan's drug control bureaus to promote enhanced bilateral counter-narcotics cooperation.

U.S. Presentations: Coordination of Donor Assistance to Afghanistan

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¶13. (C) SRAP Advisor Beth Dunford gave a detailed presentation on U.S. development assistance in Afghanistan. She explained the U.S. plans to channel more assistance through the Afghan government and provide smaller, more flexible grants at the field level. SRAP Advisor Jarrett Blanc emphasized that the United States viewed international donor coordination as a necessary step to support Afghan government-identified assistance priorities. He stressed that international coordination was key to avoiding redundancies and ensuring Afghan priorities were reflected in internationally-funded projects. Blanc described various political-level and working-level channels for donor coordination, including through the Afghanistan Reconstruction Trust Fund, the Afghanistan National Development Strategy and Afghan government-convened sectoral coordination mechanisms. D/SRAP Feldman underscored that the United States wanted to ensure PRC bilateral channels of support for Afghanistan were coordinated with ongoing multilateral efforts so as to maximize efficiency in provision of assistance. China's bilateral channels of assistance were not at odds with our interest in coordination

of efforts, D/SRAP Feldman said.

U.S.-China Cooperation on Counter-Narcotics

¶14. (C) Embassy Beijing Drug Enforcement Administration Attache Brady Mackay noted that every ongoing development program in Afghanistan would benefit directly from increased U.S.-PRC coordination on interdiction of heroin from Afghanistan. Mackay explained that a large portion of the Taliban's income was derived from drug trafficking, and highlighted the Taliban's economic interest in moving heroin from Afghanistan, where it costs \$1,800/kilogram, to southern China, where one kilogram sells for \$70,000. Mackay encouraged the U.S. and Chinese law enforcement communities to cooperate at both national and local levels on a full exchange of intelligence on drug trafficking, specifically on identifying international drug trafficking organizations moving heroin in to China, identifying drug trafficking syndicates' links to terrorist organizations, the trafficking of pre-cursor chemicals, and the flow of drug-related money and associated money laundering. Mackay concluded that bilateral cooperation had already achieved success in the seizure of over 300 pounds of Southwest Asian heroin in southern China on September 2, which led to the capture of suspects with direct links to Taliban financing and disrupted USD 10 million from the Taliban's revenue stream. Mackay urged expanded bilateral cooperation to build upon previous successes in attacking the flow of narcotics from Afghanistan, which threatened both U.S. and Chinese interests.

China's Response to U.S. Efforts in Afghanistan

¶15. (C) DDG Sun praised the United States holistic approach to Afghanistan and said China shared the desire to assist Afghanistan in its pursuit of peace and development. He suggested that the international community consider Afghanistan's special national circumstances in its provision of support, specifically, Afghanistan's unique history, ethnic features, political architecture and culture, which outside forces could not easily change. On counter-terrorism and economic reconstruction efforts, Sun said outside powers should respect the needs of the government and people of Afghanistan. The coalition's military campaign should avoid civilian casualties and Afghanistan's political affairs should be resolved internally, he urged. Sun said the MFA would study the new U.S. "Afghanistan First" procurement strategy and would continue to provide assistance through bilateral channels to increase Afghanistan's counter-narcotics capacity.

Four Areas of Potential Cooperation

¶16. (C) D/SRAP Feldman highlighted U.S. interest in cooperation with China on education and training programs in Afghanistan and Pakistan and suggested that PRC programs might be expanded in size and scope. DDG Sun noted that the PRC attached great importance to educational exchanges and

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cooperation in training and noted that annually "dozens" of students from Afghanistan received scholarships to study in China, further adding that "in accordance with the requests of Afghanistan," the PRC would gradually increase the number of scholarships offered. (Comment: In meetings with a government-affiliated think tank the next day, the U.S. delegation heard that China provided seven scholarships for Afghan students in 2009.)

¶17. (C) D/SRAP Feldman suggested that the United States and China could strengthen counter-narcotics cooperation through increased information-sharing, more direct contact between U.S. and PRC authorities at the provincial and local levels

and U.S-PRC joint training for Afghan counter-narcotics officials. DDG Sun reiterated China's "positive attitude" towards counter-narcotics cooperation with the United States and underscored PRC interest, within the context of international conventions and bilateral agreements, in information-sharing, joint action on certain individual cases, and precursor chemical control. Sun clarified, however, that cooperation on counter-narcotics issues must be done through diplomatic channels. He further noted that to date, the PRC had not worked with other countries in its counter-narcotics assistance to Afghanistan and requested further details on possible areas of cooperation.

¶18. (C) D/SRAP Feldman highlighted agriculture as another area for potential cooperation, noting that China's agriculture experience and practices in Xinjiang could serve as a basis for technical exchange. D/SRAP Feldman suggested the PRC consider establishing an agricultural technology demonstration center and reiterated U.S. commitment to bettering the livelihood of Afghanis through agriculture. DDG Sun noted the ideas with interest and asked for specific information to pass to relevant authorities.

¶19. (C) D/SRAP Feldman also highlighted the potential for bilateral cooperation in natural resource and infrastructure projects in Afghanistan, noting Chinese investment in the Aynak copper mine. DDG Sun stated that the Aynak copper mine was an important project for Afghanistan and China and that the Afghan government had provided security support. Sun said the PRC also welcomed the general increase in the international security presence in Logar Province where Aynak was located.

Pakistan: U.S. View

¶20. (C) D/SRAP Feldman explained that Secretary Clinton's recent trip to Pakistan broadened U.S.-Pakistan relations from a primary focus on counter-terrorism to a strong basis for U.S. support of the Pakistani people, including significant U.S. assistance on energy and poverty alleviation. He highlighted Pakistan's urgent needs, including macro-economic reforms, energy and water sectors, reconstruction in Malakand Division and other areas, and engendering support for countering domestic terrorism. Dunford underscored that U.S. civilian assistance to Pakistan was aimed at addressing the root causes of extremism and strengthening the capabilities of the Government of Pakistan and Pakistani organizations. Dunford noted the major shift in the method of assistance delivery, particularly through channeling more aid through GOP and local organizations.

Pakistan: PRC view

¶21. (C) DDG Sun stated that Pakistan was "relatively stable" and that, though the political factions were divided on many issues, they all agreed that political stability and national unity should be maintained. Sun noted improvements in several economic indicators, but added that the "trend for recovery is not stable." The Pakistan military also achieved progress against the TTP, eliminating some major figures and taking over TTP strongholds, according to Sun.

¶22. (C) Sun said Pakistani counter-terrorism measures "served a fundamental interest" and deserved international support, noting that TTP had launched many terrorist attacks, even targeting police and international institutions. He added that regional peace and security hinged on Pakistan's peace and security. Because maintaining peace and security was a top priority, the international community should "fully heed"

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the views of Pakistan, accommodate its concerns, and respect its independence, sovereignty and territorial integrity. Sun stated that "backward" economic and social development and

the lack of basic education contributed to the development of terrorism, and that the international community should help Pakistan address this and other root causes and symptoms of terrorism.

Pakistan Should Not Be Lumped in With Afghanistan

¶23. (C) China welcomed and appreciated international support to Pakistan's political and economic stability and its counter-terrorism efforts, Sun said, and the international community should provide Pakistan with more assistance. In bilateral consultations, Pakistan had insisted to China that it did not want to be approached as a country linked to Afghanistan, according to Sun. While both Afghanistan and Pakistan were victims of terrorism, China did not view Pakistan as a "failed state." Alluding to unspecified "historic reasons" that affected South Asia, Sun stressed that Pakistan was a "front-tier" country in the fight against terrorism and played an important role in international counter-terrorism efforts. The government, military, and political parties had "common agreement" on counter-terrorism issues, and China hoped the international community would "show confidence" in Pakistan's counter-terrorism commitment, fully recognize Pakistan's efforts and sacrifice, respect its internal affairs, and treat Pakistan as an equal.

PRC-Pakistan Relations

¶24. (C) As a neighbor of great strategic importance to China, Pakistan had "very close" ties to the PRC, Sun said, citing frequent high-level bilateral contacts among government, legislative, and political party officials. Noting a 2008 bilateral trade volume of USD 7 billion, Sun stated that Pakistan was the home of China's first overseas industrial park and joint venture and that the PRC encouraged Chinese companies to invest in hydropower (e.g., the Neelum Jhelum hydropower project in Kashmir), telecommunications, and infrastructure projects (e.g., the Karakoram highway) in Pakistan. PRC support and assistance was "sincere and selfless," Sun said, promoting "equality and mutual benefit." He highlighted the USD 500 million assistance that the PRC provided to Pakistan during Pakistan's budget difficulties at the end of 2008 and the more recent RMB 100 million assistance package to help internally-displaced persons as a result of Pakistan military moves against extremists in Swat. Sun stressed that China would continue to support Pakistan through bilateral channels, adding that the "singular goal" of PRC assistance was to promote social stability and economic development.

¶25. (C) Sun noted the Friends of a Democratic Pakistan (FoDP) had convened a series of meetings that China attended with "a responsible attitude," and where China reiterated it would continue to provide assistance to Pakistan mainly through bilateral channels. He said past PRC-Pakistan cooperation had proven China's means of assistance was "smooth and effective" and endorsed by the Pakistan government and its people. Sun stated that the international community should heed the development requirements that Pakistan had identified, and suggested that China would be more favorably inclined to take the sorts of cooperative actions we were proposing if the Afghans and Pakistanis were independently requesting them to do so.

¶26. (C) D/SRAP Feldman responded that the U.S. respected longstanding PRC-Pakistan relations, adding that China had done much to promote stability in Pakistan. He noted that the Haqqani network, Quetta Shura and Afghani Taliban remain unchallenged and the LeT/JUD continued to pose a threat to the entire region. The United States had urged Pakistan to take actions against these groups to promote regional stability, and the United States hoped China would also raise these concerns in its conversations with Pakistan. D/SRAP Feldman emphasized that the United States wanted to collaborate with the PRC on energy and other projects in Pakistan that have an immediate impact, noting that such

cooperation need not impose on existing PRC-Pakistan bilateral assistance channels. He noted that the FoDP had focused on energy and suggested the next FoDP ministerial

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could discuss means of coordination with China. He also suggested that U.S. energy experts, and in particular State Department Coordinator for International Energy Affairs David Goldwyn, could meet with PRC energy experts to discuss future cooperation.

¶27. (C) DDG Sun said China hoped to deepen its cooperation with Pakistan on energy, particularly in oil and gas development. With regard to the FoDP, Sun reiterated that China welcomed the constructive role of the international community and hoped that the FoDP would continue its consensus decision-making and pay closer attention to coordinating with Pakistan. Sun said the FoDP's priority should be the improvement of people's livelihood in order to enhance their independent development and emphasized that the assistance commitments should be realized as soon as possible. Sun reiterated that China was willing to engage with the FoDP and requested details on suggested cooperation projects.

China Urges U.S. to Ease India-Pakistan Tensions

¶28. (C) DDG Sun said India-Pakistan relations had a direct impact on stability in South Asia and a ripple effect on neighboring countries. Stressing the importance of Kashmir and noting differences in U.S. and Chinese maps of the region, Sun warned that another India-Pakistan conflict over Kashmir would be disastrous. Despite some signs of tensions easing, the India-Pakistan relationship continued to experience friction and uncertainty. Continued tensions would prevent Pakistan from focusing on fighting terrorists in the northwest and would have a direct impact on China's southwestern border. Stressing the PRC's "fair and reasonable position" on India-Pakistan relations, Sun said China had helped ease tensions by sending a special envoy to the region following the November 2008 Mumbai terrorist attacks. He urged the United States to use its influence, particularly with India, to "bring the India-Pakistan relationship back on track." SRAP Advisor Vikram Singh responded that intervention by a third country in India-Pakistan relations would have meager prospects of success. However, he underscored that the U.S. supported resumption of a comprehensive dialogue between India and Pakistan and encouraged China to use its influence to move India-Pakistan relations in a positive direction.

China-India: Partners, not Competitors

¶29. (C) DDG Sun stated that China-India relations had maintained positive momentum in recent years, citing regular meetings between leaders and trade volume that exceeded USD 50 billion in 2008. He stressed that the two countries were partners rather than competitors and expressed optimism about prospects of China-India relations, arguing that the two countries had reached a consensus to resolve their differences through dialogue and consultation.

Chinese Views on SAARC

¶30. (C) Sun said that the South Asia Association for Regional Cooperation (SAARC) had made positive contributions to regional peace and stability, adding that China maintained good relations with all SAARC countries and that China had participated as an observer state in SAARC summits in 2007 and 2008. He stressed that China's presence in South Asia did not threaten any country and expressed PRC willingness to enhance cooperation with the United States to promote stability and development in the region. D/SRAP Feldman

noted that SCA Assistant Secretary Blake hoped to visit China and continue discussions regarding South Asia.

U.S. Outlines Possible Next Steps

¶31. (C) Noting the valuable and rich discussions during the meeting, D/SRAP Feldman outlined possible next steps, reiterating a number of areas for increased Chinese support for Afghanistan and Pakistan, including: 1) increased assistance in the health and education sectors, including hospitals, scholarships and vocational training; 2) support for agriculture, such as crop substitution programs,

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irrigation systems and agricultural technology demonstration centers; 3) building human capacity through training programs; 4) encouraging investment by Chinese companies in infrastructure and energy projects such as a railroad from the Aynak copper mine to the Gwadar port, a road from Bamiyan to Herat, and the Kajaki dam in Northern Helmand; and 5) closer U.S.-China counter-narcotics cooperation. D/SRAP Feldman suggested a number of ideas for follow up, including an agreed document laying out a way forward, a U.S.-China Development Discussion either in Kabul or Washington, a meeting between U.S. and Chinese energy experts to exchange information on Pakistan's energy needs, and working group meetings focused on specific areas of cooperation.

¶32. (C) While not responding directly to the suggestions, Sun stated that China would continue to encourage well-established Chinese companies to invest in Afghanistan and Pakistan. Sun stressed that Chinese companies had to consider the safety of their workers and had the right to decide whether to bid on contracts. In response to D/SRAP Feldman's inquiry on progress on a decision regarding the transit of non-lethal goods through China, Sun said the U.S. request was still under review. Sun indicated that not all of the U.S. proposals were feasible, but he welcomed more specific U.S. proposals and expressed willingness to explore the possibility of cooperation.

PRC Way Forward: Cooperate and Assist in Separate Ways

¶33. (C) In his closing statement, DDG Sun stated that both sides had reached agreement that the United States and China shared common interests in the region and should work together to promote peace and stability. He said both sides should approach the issues on an "equal footing" and accommodate each other's concerns and interests. Sun said the U.S. and China could continue to assist Afghanistan and Pakistan through current bilateral channels and enhanced coordination. Calling the consultations a "temporary arrangement within the South Asia sub-dialogue," Sun expressed interest in continuing consultations.

GOLDBERG